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Charity and Finance in the University

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The Modern Corporation Project

Jeroen Veldman, Cass Business School, City University
jeroen.Veldman@cass.city.ac.uk

Hugh Willmott, Cass Business School, City University
hugh.willmott.1@city.ac.uk

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The Modern Corporation Project
www.themoderncorporation.com
Cass Business School
City University, London, UK

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Armin Beverungen, Casper Hoedemaekers, Jeroen Veldman

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Abstract

In this paper we explore the financialisation of the university, and how it is possible that universities behave as if they were private corporations despite legally being corporations with a charitable status. We argue that this is largely attributable to financialisation, which creates tension with the university's charitable status. The paper commences with a brief history of incorporation, and examines developments in corporate governance. With the dominance of finance, and the treatment of institutions as mere nexus of contracts, distinctions between public and private become redundant. The paper continues with an account of the effects of financialisation on university governance, under which the university acts increasingly like a for-profit corporation, with its financial governance in direct contradiction to its charitable status. Here, the university emerges as a key site of neoliberalism, where financialised subjects are shaped. Finally, we examine to what extent the financialisation of the university may be halted through a reflection on its status as a charitable corporation.

1. Introduction

The announcement of the founding of a New College for the Humanities by Grayling in June 2011 sparked much outrage in the UK higher education sector. It arrived on the back of a fierce struggle over the future of universities in the UK, with the government succeeding, despite student and academic opposition, in raising university fees to £9000 per annum, leading to widespread worry about the sustainability of universities. Hunt (2011), general secretary of the Universities and Colleges Union, complained that the New College would further ''entrench inequality within higher education'', and Eagleton (2011) accused Grayling of ''taking advantage of a crumbling university system to rake off money from the rich'', and surmised that if there would be more private universities ''the current crisis in universities will escalate into educational apartheid''.

The criticism here rests at least in part on the fact that the New College is a for-profit corporation in the form of a limited company – in contrast to all of the existing universities in the UK (except the University of Buckingham), most of which as charities enjoy the status of ''exempt charity'', meaning they do not have to explain to the Charities Commission in what way they produce public benefit (CUC, 2009, p. 38). At the same time, by being accredited as universities or university colleges, and therefore agreeing to certain governmental regulations, they have the right to grant degrees, charge student fees up to £9000 (from 2012), and are financially supported by the state. By contrast, the New College shuns this bypass clause, gives up on state funding and its regulatory implications, and concentrates on the custom of those capable of spending £18,000 annually, whilst relying parasitically on the University of London to grant its graduates degrees and to provide basic facilities like lecture halls and libraries.

Yet on what grounds is this fury at Grayling and his colleagues based? Jenkins (2011) suggests that it arises partly from the fact that Grayling has caricatured the British university as ''no longer an academic community but a high-end luxury consumable for the middle classes''. The New College, in this view, is an institution that simply puts a mirror to the face of the British university and what it will become if the recommendations of Browne et al. (2010) and the proposed reforms (DBIS, 2011) are implemented: not a public but a private good traded in ''a lightly regulated market in which consumer demand, in the form of student choice, is sovereign in determining what is offered by service providers (i.e. universities)'' (Collini, 2010, p. 23). Yet the idea that ''most not-for-profit higher education institutions now operate in a businesslike manner'' (Universities UK, 2010, p. 4) challenges a primary distinction between charities and for-profit businesses and fudges the traditional distinction between public and private institutions. Still, the distinction between public and private has hardly been explored in the context of the university (Parker, 2011, p. 448). To respond, we will follow Calhoun, by asking in what sense the university ''is or may be 'public': (1) where does its money come from? (2) who governs? (3) who benefits? and (4) how is knowledge produced and circulated?'' (2006, p. 7).

We will address these questions using the institutional history of the university, which demonstrates that the charitable status of the university has been problematised, with financialisation having profound effects on university governance. We first recount a brief history of incorporation to show the problematic legal status of public and private institutions. Incorporation has historically been bound up with the notion of the university. We argue that incorporation provides a legal form connected to a long history of ideas, informing conceptions of ownership and attributions of agency and rights. These conceptions were fundamentally challenged by the new theory of the firm (Jensen and Meckling, 1976), which casts institutions as a nexus of contracts, and therefore reducible to economic agents contracting. Since the latter are conceived of as homo economicus in neoliberal discourse (Foucault, 2008), the very idea of charity is destabilised, and the legal status of institutions becomes largely irrelevant to their functioning. With the neoliberal reshaping of the state (Harvey, 2005), these economic logics have come to dominate in the public sector, including universities.

This has taken place against a background of major changes in corporate governance and management (Calhoun, 2006, p. 15). With the dominance of Wall Street (Henwood, 1998) and the widespread primacy of shareholder value, financialised logics have come to dominate. In the second part of this paper, we show how this financialisation privileges very particular notions of ownership, agency and rights, thereby changing the nature of the corporate form. The nominally equal status of the private corporation and the university then allow these logics to become similarly dominant in the university. Under neoliberalism, the distinction between public and private is challenged. Where previously the welfare state might have financed universities in support of their public benefit, the neoliberal state increasingly refrains from doing so. The university must now look elsewhere for finance, through loans, bonds, or even equity, which consequently impose their logic (Beverungen et al., 2009).

Here neoliberalism as ‘‘the financialisation of everything’’ (Harvey, 2005, p. 33) emerges as the key process with which to understand the contemporary university. Complementing studies of the dominance of management in the contemporary university (e.g. Parker and Jary, 1995; Prichard and Willmott, 1997), this paper interrogates the dominance of management in the university today as one consequence of financialisation, and specifies the concrete form this dominance of management takes through the changed nature of financial accounting in the university, e.g. in its extended use of cost- and profit-centres (Alexander, 2000). Extending work on the commercialisation or privatisation of the university (e.g. Slaughter and Rhoades, 2004), a focus on financialisation shows how the university has a central place in reproducing financial logics and subjectivities (Parker, 2011).

The university thus appears not merely as a victim of financialisation, but as one of its main agents. In our conclusion, we explore potential responses to these developments. The first is to struggle for a take-over of the university and its governance, and to seek new ways of governing the university that resist financial logics. This would entail the construction of common spaces within the university that oppose the instrumental logic of finance. The second is to reclaim the historical attachment of the status of the university to the notion of charity. This reclaiming of the university in the name of charity is, however, crucially reliant upon a critique of finance and accounting in contemporary university governance.

2. A brief history of incorporation

Many of the foundational texts of the modern university (Newman, 1996 [1889]; Kant, 1992 [1798]; Humboldt [1809] in Mu¨ller, 1990) rely on a distinction between the activities of the university and private enterprise, and therefore between the university and the private corporation as institutions. The university is considered to be an institution not guided by the principles of commerce but instead held together by theology (in the case of Newman), reason (Kant) or culture (Humboldt) (see Readings, 1996). It is an institution similar to the church and/or the state, rather than business. Yet in works such as Newfield (2003), a more complicated relationship emerges in which ‘‘the research university and the business corporation grew up together’’ (2003, p. 3). Newfield drily notes that historians ‘‘have been unable to find a period in which colleges and universities were fully in the hands of educators who ignored business input’’ (2003, p. 21).

Why do universities find themselves to be so similar to private corporations? In this section we address this question by providing a brief history of incorporation, noting three different moments salient to our analysis. The first is the emergence of corporations in the 13th century when universities were a prime example of institutions concessioned by sovereigns and therefore fundamentally public. The second moment takes place in the 19th century, where corporations gain a private character independent from the state and church and emerge as private shareholding corporations. A contest ensues over the publicness of the corporation, and a case is made for the retention of the corporation as a socially useful institution (Berle and Means, 1991 [1932]). The third moment concerns the ‘‘neoliberal revolution’’ (Harvey, 2005), in which financialisation transforms the corporation. In this moment, the distinction between the university and the corporation is put into question once again.

2.1. The universitas

As public institutions, corporations are among the oldest enduring organisational forms in the world. Most legal scholars see the roots of incorporation in the concept of the universitas (Hallis, 1978). Introduced in the 13th century by Pope Innocent IV, the universitas provided an understanding of institutions as political entities with their ‘ownership’ held externally by a sovereign (Timberg, 1946). This conditional model of institutions with a public mission and externally held political ownership applied to every kind of corporation, even guilds and large trading companies, until the early 19th century (Bowman, 1996). The universitas provided the means for these emerging social institutions to be legally recognised and therefore protected to allow for continuity separate from its members – whilst simultaneously allowing church and state to exercise control over these new mediators between their power and subjects.

In the early thirteenth century, the first universities emerged in Paris, Bologna and Oxford, among others (see Rashdall, 1895). At the time, first in Paris, groups of scholars sought to establish themselves independently of the state and church. It was a matter of gaining ‘‘corporate freedom from the direct control of the cathedral chapter and the bishop’’, and that a corporation could be formed was a matter of doubt and surprise (Post, 1934, p. 421). However, the very idea and practice of incorporation was still developing. Rashdall suggests that four steps were necessary ‘‘to give to mere customary meetings of Masters for the initiation of new members or similar purposes the character of a definite and legally recognized corporation’’ (1895, vol. I, p. 300): they had to write up their customs into statutes, had to be able to sue or be sued as a corporation, had to appoint permanent common officers and use a common seal (Rashdall, 1895). The status of the University of Paris as a universitas was only assured by a Papal Bull by Innocent IV in 1245 (Post, 1934, p. 425). A similar story unfolded at Oxford, which was granted the charter of universitas in 1254, confirming its ‘‘immunities, liberties, and laudable, ancient and rational customs, and approved and honest constitutions’’ (Rashdall, 1895, vol. II part II, p. 367).

The universitas, then, as one of the earliest forms of incorporation, was a decidedly positive development that enabled the emergence of the university as an institution. There was no question of these institutions being private, since they were very closely controlled by the state and/or church, and their status could be revoked – and regularly was. Incorporation produced the kind of ambivalent relationship to the state – promising ‘‘academic freedom’’ yet turning the university into a policy instrument of the state or church – a condition also evident, for example, in Kant’s (1992) struggle with the King of Prussia. For the early corporation, there is no distinction yet to be made between private or public, for-profit or not-for-profit: the corporation was a notably political concession granted by the state or church, and was very closely regulated by its charter outlining its various activities.

2.2. Private but soulful

This historical model of incorporation encountered a significant shift in the early 19th century. Under the influence of waning sovereign power, and new notions of state and citizenship, the idea of sovereign ownership and control over legal entities was eroded (Veldman, 2011, pp. 87–88). The dominant ‘aggregate’ view held that the corporation was a product of free contracting among individual shareholders, no different from a partnership. The joint stock company at the beginning of the 19th century was, then, not so much a completely different type of legal entity, but rather, a special form of the partnership (Ireland, 2003, p. 458). Against this background, the legal entity was increasingly depicted as an outcome of a voluntary agreement between individuals. The corporation came to be seen as a matter of private law, and states lost their prerogative to withdraw their concessions. The legal form became generally accessible to private parties and public parties alike (Bowman, 1996).

One of the key developments here, this time in the USA, was again the case of a university, specifically the legal case Trustees of Dartmouth College v. Woodward (Trustees of Dartmouth College v. Woodward, 17 U.S. (4 Wheat) 518 (1819)). In Dartmouth v. Woodward the state of New Hampshire had sought to take control of Dartmouth College. The college, however, had been granted a charter by the British Crown before the American Revolution. The judge ruled that the charter ‘‘was not dissolved by the Revolution’’, and that the attempt of the state to alter the charter was ‘‘an act impairing the obligation of the charter, and is unconstitutional and void’’, since, according to the US constitution, ‘‘no state shall make any law impairing the obligation of contracts’’. The case further asserted that Dartmouth was ‘‘a private, and not a public, corporation’’ and furthermore the fact that ‘‘a corporation (that) is established for purposes of general charity, or for education generally does not, per se, make it a public corporation’’ (see also Bratton, 1989, 1504ff.).

According to Newfield, this case ‘‘had an enormous impact on the related histories of colleges and the corporation’’ by establishing a crucial commonality: ‘‘both could be governed as if they were the private property of their internally appointed officials’’ (2003, p. 22). Incorporation, then, lost its inherent connection to a public purpose, whilst retaining the attributions of perpetuity, agency, ownership, and rights to a reified legal entity. This reification created an anomalous legal ‘subject’, as it referred simultaneously to the corporation as a collection of individuals and as a group in itself. The most pragmatic rationale for the acceptance of this anomalous legal entity was its positive economic effect (Berle and Means, 1991 [1932]). Berle and Means’ suggested way of dealing with this oddity entailed that owners give up some of their rights, and managers place ‘‘the community in a position to demand that the modern corporation serve not alone the owners or the control but all society’’ (1991 [1932], pp. 311–312). This kind of argument formed the background of many attempts to understand the corporate form as ‘social’, ‘soulful’, or ‘ethical’. Thus, to cover up its status as neither fully public nor fully private, a logic of charity was installed right at the heart of the corporation through Berle and Means’ compromise.

2.3. The neoliberal revolution

This awkward solution to the corporation’s anomalous legal status was challenged in the late 20th century. Friedman (1970) characterised Berle and Means’ emphasis on the social responsibility of the modern corporation as ‘‘preaching pure and unadulterated socialism’’, endangering a free society. For Friedman, only individuals, not legal entities like corporations, can have social responsibility, because these responsibilities ascribed to a corporation can only emerge out of a ‘‘political mechanism’’ based on conformity. For Friedman this runs counter to free contractual relationships between individuals within the realm of a ‘‘market mechanism’’ based on free choice. The neoliberal conception of homo economicus as free to contract sustains Friedman’s argument in defence of ‘free’ society against the ascription of any public mission or social function to the corporation.

At the same time, agency theorists (e.g. Jensen and Meckling, 1976; Fama and Jensen, 1983) argued that the corporation was not an emergent social entity. In agency theory and Jensen and Meckling’s new theory of the firm, all institutions are reduced to a nexus of contracting individuals. Through this reductionist approach, institutional form becomes less directly relevant and therefore essentially interchangeable.

It is important to recognize that most organizations are simply legal fictions which serve as a nexus for a set of contracting relationships among individuals. This includes firms, non-profit institutions such as universities, hospitals and foundations, mutual organizations such as mutual savings banks and insurance companies and co-operatives, some private clubs, and even governmental bodies such as cities . . . (Jensen and Meckling, 1976, p. 310, original emphasis)

This conception radically reduces the role of any conception of social relations, by refuting the existence of institutions with insides and outsides. Instead, what remains is ‘‘a multitude of complex relationships (i.e. contracts) between the legal fiction (the firm) and the owners of labor, material and capital inputs and the consumer of outputs’’ (Jensen and Meckling, 1976, p. 310). The only feature that differentiates the private corporation is that it ‘‘is also characterized by the existence of divisible residual claims on the assets and cash flows of the organization which can generally be sold without permission of the other contracting individuals’’ (Jensen and Meckling, 1976, p. 311). Effectively ignoring legal history, agency theorists imbue shareholders with privileged access to ownership and control, prioritising their claims to the corporation over all other constituent groups, like citizens and workers (Bratton, 1989; Ireland, 2009).

This conception of the corporation is central to financialisation. There are only economic agents contracting, and finance itself is thought of as a contractual relationship wherein a financier provides funding, usually for a return on investment. It is no wonder, then, that critiques of the financialisation of the university see changes in university practices and governance models in the 1970s as crucial (Harvey, 2005; Ross, 2009). We argue that these changes are directly related to the fundamental reinterpretation of the university as an incorporated institution described above. Probing this reinterpretation exposes how universities incorporate logics of financialisation.

3. Governance and the financialisation of the university

3.1. University corporations

Universities today bear the mark of their complex corporate history. Whereas old universities like Oxford in the UK are charities still governed by their ancient charters and statutes, the new ‘‘post-1992’’ universities are all corporations with charitable status (CUC, 2009, p. 36). That is not to say, however, that they are absolutely different from the private corporation originating in the late 19th century (Veldman, 2010). At least since E.P. Thompson’s scathing attack on ‘‘Warwick University Limited’’ (1970) universities in the UK (in particular the enterprising ‘‘red brick’’ universities such as Warwick) have been seen to increasingly resemble private corporations. In the USA, despite Veblen’s attack on businessmen who want to turn the university into ‘‘a corporation of learning’’ and ‘‘a business concern dealing in standardized erudition’’ (1993, p. 64), for Newfield the term ‘‘corporate’’ is largely redundant in describing the American research university at the turn of the last century (2003, p. 16). The university mimicked the accumulation imperatives of corporations, bringing with it governance ‘‘through bureaucratic administration, quantitative measures, and client demand’’ and ‘‘the constant growth of management’’ (Newfield, 2003, pp. 26–31).

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However, even in the USA universities were not business corporations: without profit, the universities could not benefit from the ‘‘financial machinery’’ to fund their expansion, and therefore remained dependent on outside sources of funding (Newfield, 2003, pp. 31–33). What assured the continued stability of the university, both in the UK and the USA, was the deal it struck with the state: in return for public funding universities were to fulfil a public role in enabling widespread access to higher education, promoting the arts and sciences, and conducting groundbreaking research (Newfield, 2008, p. 224). This post-war consensus as to the role of the university assured it stable government funding, institutionalised in the UK in response to the Robbins Report (Collini, 2011). Hence, their charitable status was propped up by government funding, and so they remained distinct from the private corporation in important respects.

3.2. Neoliberalising the university

The neoliberal revolution further destabilised this relationship. Neoliberal government, according to Foucault, follows the objective of ‘‘a general regulation of society by the market’’ in which the state ‘‘has to intervene on society so that competitive mechanisms can play a regulatory role at every moment and every point in society’’ (2008, p. 145). Though ‘‘an unstable and contradictory political form’’ (Harvey, 2005, p. 64), we can observe the process of the neoliberal state seizing hold of university policy in the UK. The funding cuts of 1981, which challenged the financial independence of universities and their perceived right to government grants, were quickly followed by the Jarratt Report of 1985, which led to budget devolution and a greater emphasis on corporate governance and accountability (Deem, 2004).

Whilst accountability here included non-financial measures, universities by and large responded by making use of the ‘‘language of finance’’ to represent their financial performance to grant givers (Gray and Haslam, 1990, p. 64). Gray and Haslam note that although universities responded to demands for reporting with an ‘‘air of independence’’, there was an overall increase in financial disclosure, particularly in terms of an increased incidence of treasurers’ reports and an analysis of research grants included in annual statements (1990, pp. 64–67). The first research assessments followed swiftly (Willmott, 1995, 1016ff.), entrenching financial accountability and introducing competition. The 1988 Education Reform Act accelerated these changes, precipitating the transformation of universities into versions of their private counterparts (Saravanamuthu and Tinker, 2002).

The relationship between regulatory changes and financialisation demonstrates this phenomenon. After 1988, the University Grants Committee was replaced by the Universities Funding Council (and later the Higher Education Funding Councils); the latter was ‘‘not conceived as a buffer or mediating institution like its predecessor; rather than making grants to universities it [entered] into contracts with them’’ (Peters, 1992, p. 125). Government policy enforced through funding councils was henceforth to follow the neoliberal logics of contracts and performance-based accountability (Alexander, 2000). McGettigan (2012, p. 23) suggests this process will be continued by planned reforms transforming HEFCE ‘‘from a funder to the chief regulator’’ of the university sector, in charge of ensuring a healthy competition between providers striving to secure their slice of tuition fees, government grants and other income.

The current government reforms of UK higher education extend the neoliberalisation of universities which commenced in the 1970s, not only in the UK (see also Slaughter and Rhoades, 2004, pp. 20–22; Readings, 1996, pp. 44–53). Readings (1996) traces this neoliberalisation through the rise of the omnipresent term ''excellence'', which comes to dominate universities' responses to demands for accountability in lieu of notions of ''reason'' or ''culture''. Readings also comments how this notion of excellence permits ''exhaustive accounting'', ''brackets the question of value in favor of measurement'', and ''replaces questions of accountability or responsibility with accounting solutions'' (Readings, 1996, pp. 29, 119). Accounting here operationalises the demands of finance, which through its representatives ''looked for financial returns on investments of public and private money alike'' (Newfield, 2008, p. 169,161).

The introduction of ''total quality management'' and the ''balanced scorecard'' as means of managing labour productivity (Lawrence and Sharma, 2002) and research audits as quantitative measures of research excellence (Willmott, 1995), for example, are evidence of the way in which universities increasingly used and were subject to accountability. These developments were also precipitated by regulatory guidance, for example in the UK via the Statement of Recommended Accounting Practice (''SORP'', the latest being Universities UK, 2007). This establishes benchmarks for financial accounting on the basis of business-like accruals-based accounting, entrenching a focus on efficiency in the allocation of resources and on returns on investment (Parker, 2011).

3.3. Governance by finance

Overall, the decline in state funding, increasing demands for financial accountability, and concomitant changes in accounting practices have left a profound mark on university governance and its representation in annual statements, reflecting financialisation in multiple ways. Taking the University of Oxford as an example, at least three features are striking, apart from the corporate language being used (e.g. in referring to the university as a ''group''). First is the sharp rise in income and its changing composition: proportionately fewer grants by funding bodies; stark rises in income from tuition fees after 1998 (when tuition fees were introduced in England) and 2008 (when the cap was raised); and more income sought from other services provided as well as from investment (see Table 1).

Second is the sharp rise in investments and endowments – the latter in their scope specific to Oxford and Cambridge. Table 2 shows that Fixed Asset Investments for Oxford have increased ten-fold in the last ten years, whilst Endowment Asset

Table 1
University of Oxford consolidated income (in £million), and proportion of total income (in %).

	1998	2007	2011
Funding body grants	88.4 (29%)	179.8 (26%)	200.3 (22%)
Academic fees and support grants	38.5 (13%)	94.0 (14%)	152.7 (17%)
Research grants and contracts	114.4 (38%)	248.2 (37%)	376.7 (41%)
Other income	41.1 (13%)	126.2 (19%)	158.4 (17%)
Endowment and investment income	21.6 (7%)	28.3 (4%)	31.3 (3%)
Total income	304.7 (100%)	677.5 (100%)	919.6 (100%)

Source: Financial Statements of the University of Oxford 1998, 2007, 2011.

Table 2
University of Oxford consolidated fixed and endowment asset investments (in £million).

	2001	2006	2011
Fixed asset investments	60.3	199.5	691.0
Endowment asset investments	472.5	628.8	856.2

Source: Financial Statements of the University of Oxford, 2001, 2006, 2011.

Table 3
Subsidiaries.

	Number	Example nature of activity	Example interest
Wholly owned	16	Oxford Capital Fund (General Partner) Ltd	Investment management services
		Oxford Said Business School Ltd	Executive education
		Oxford University Trading Ltd	General trading activities
Not wholly owned	2	Oxford Capital Fund LP	Collective investment fund
Associated	17	Oxepi Ltd	Commercial exploitation of intellectual property

Source: University of Oxford Financial Statements, 2011.

Investment has also nearly doubled. Overall, such features not only point to the increasing importance of income from investments, but also to a serious vulnerability in relation to financial markets: Oxford's accounts, not surprisingly, document a sharp drop in the value of investments and endowments after the burst of the dot-com bubble in 2001 and the financial crisis of 2008.

Thirdly, the increase in the number of subsidiaries is remarkable. Whereas twenty years ago universities hardly owned any subsidiaries, the University of Oxford now has 16 fully owned subsidiaries, concerned amongst other things with trading activities, executive education and investment management. A further 17 undertakings are concerned with the commercial exploitation of intellectual property (see Table 3).

There are also serious effects of financialisation on university governance and operations not immediately obvious from such financial statements. With pressure on income and efficiency, universities have been forced to reduce operating expenses. As salaries constitute the biggest expense, often still exceeding 60% of expenditure (McGettigan, 2011a, p. 3), universities have focused on reducing these costs, e.g. by increasing class sizes and using temporary contracts. Bousquet (2008) traces the rise of precarious work in universities, where global outsourcing is supplemented with low wages and precarious employment practices at home, creating ‘‘an interim environment of job insecurity, de-professionalization and ever-eroding faculty governance’’ (Ross, 2009, p. 25), already initiated in the UK in 1988 by the abolition of academic tenure (Deem, 2004).

Universities also ‘‘re-engineer’’ their assets. McGettigan (2011a) shows in the case of Middlesex University how it ‘‘sold most of its prime assets or borrowed heavily against them’’ (McGettigan, 2011a, p. 3) in order to fund an expansion, mostly overseas, which it hoped would guarantee an increased income from overseas tuition and the provision of additional services. As a consequence, Middlesex's balance sheet is now dominated by heavy investments in new facilities which augmented an earlier debt burden to yield a debt equivalent to half a year's income (McGettigan, 2011a, p. 4). Given the sharp increases in overseas tuition income in UK universities, Middlesex is hardly an exception: many universities have established subsidiaries or franchises abroad, effectively turning them into ‘‘transnational corporations with global offerings of courses’’ (Lawrence and Sharma, 2002, p. 662). Ross notes that some of these offshore campuses look like free trade zones ‘‘where outsourcing corporations are welcomed with a lavish package of tax holidays, virtually free land, and duty-free privileges’’ (2009, p. 27).

Many UK universities, such as Lancaster and Manchester, have also pioneered issuing bonds to fund investments (McGettigan, 2011b). The consequences of this – apart from the high costs of repayment involved – are that universities are consequently forced to manage their own credit rating, with vast repercussions: accounting must now demonstrate a university's ability to generate a surplus to service repayments, or else it risks losing its financial autonomy, as was the case with Lancaster in the late 1990s (McGettigan, 2011b). The case of the University of California perhaps provides a potential

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future scenario: the general revenue bonds it issued pledge future income from tuition fees as a guarantee for bond repayments in case of a default, all in order to improve its credit rating (McGettigan, 2011c).

McGettigan (2012, p. 23) suggests that, in addition to the ‘‘external’’ privatisation of the university sector by for-profit actors such as the New College, these processes of financialisation, aided by private sector accounting practices, constitute what one may call an ‘‘internal’’ privatisation. Teaching and research become drastically reconfigured, and new forms of financial accounting shape how all operations are managed and accounted for (Newfield, 2008, 159ff.). McGettigan predicts that certain universities, such as the new post-1992 universities in the UK, might start changing corporate form by e.g. dropping their charitable status and becoming companies limited by shares, which would allow them to raise equity and to make even wider use of financial instruments (Newfield, 2008). Yet before such a scenario materialises, universities are not only objects of financialisation, but also already agents in its reproduction.

3.4. Producing neoliberal subjects

After the neoliberals' targeting of universities as ‘‘centres of anti-corporate and anti-state sentiment’’ (Harvey, 2005, pp. 40–44), the university has arguably become a key actor in the construction of neoliberal consent. Under the new regime, student debt changes its role from ‘‘a mode of financing’’ to ‘‘a mode of pedagogy’’ (Williams, 2009, pp. 92–93). Whereas previously students benefited from exemptions and bursaries, student debt in the USA and in the UK has come to serve as a tool for ‘‘market conscription’’. Debt teaches several lessons to the student: that ‘‘higher education is a consumer service’’, that studying is a question of ‘‘career choice’’ and that the worth of a person is measured ‘‘according to one's financial position’’. These lessons promote a worldview where ‘‘the primary ordering principle of the world is the capitalist market’’ and wherein ‘‘the state's role is to augment commerce’’ (Williams, 2009, pp. 94–96).

The model student is increasingly a financialised subject, with financialised logics of investment, credit and debt bound up with the development of oneself (Martin, 2002, p. 9). Higher education becomes narrowly defined as a gateway to a better job and higher earnings, with student loans ‘‘a personal investment in one's market potential rather than a public investment in one's social potential’’, where consequently ‘‘each individual is a store of human capital, and higher education provides value added’’ (Williams, 2009, p. 92). Through the notion of human capital ‘‘the productive capacity of the human [is] conceived as capital itself’’ (Adamson, 2009b, p. 274), and the university by proxy, as an incubator of this. By representing themselves as providers of ‘‘value added’’, universities place themselves as guarantors between the neoliberal subjects who view themselves as endowed with human capital and the ‘market' that commodifies, prices and exploits it.

The withdrawal of state funding, the introduction of corporate-style financial accounting (featuring extended use of cost- and profit-centres) as a response to changed accountability requirements, and the changed relation between university and students, all reflected the neoliberal paradigm (Harvey, 2005; Lock and Lorenz, 2007). The ‘‘students at the heart of the system’’ (DBIS, 2011) become precisely the subjects dreamt up by the neoliberals: the homo economicus in the market as an entrepreneur of himself (Foucault, 2008, p. 226). The university not merely resembles the private corporation, it has become integrated into the reproduction of financialisation.

4. Discussion: charity versus finance

Whilst we have argued that the financialisation of the university is apparent, its ultimate consequences perhaps are not. One immediate consequence, however, is the undermining of the conception of charity in the university. We have outlined above how financialisation entails ‘‘a shift in the idea of higher education from a social to an individual good’’ (Williams, 2009, p. 91), whereby students themselves must consider education as an investment in their human capital (Adamson, 2009), education is a commodity that can be outsourced and sold expensively to eager populations at home and abroad

(Ross, 2009, pp. 21–22), and research output becomes intellectual property yielding a financial return (Newfield, 2008, p. 228). This undermining of the conception of charity leads to a growing public cynicism regarding the university's mission. Why pay for teaching and research out of public funds (Calhoun, 2006)? Why pay for tax holidays, virtually free land and duty-free privileges of institutions that possess sometimes enormous endowments and pay their executives exorbitant salaries?

Yet, paradoxically, it is the public as the generic 'taxpayer', the 'principal' for accounting in the public sector, who legitimates the pervasive use of the language of finance in the university (Brignall and Modell, 2000, p. 282), by claiming increased accountability. It is in the very name of the ''public interest'' that the financialisation of the university proceeds, and that accountability reduced to financial performance measures undermines the conception of charity in the university. However, where there is accountability and excellence (Readings, 1996), there are many other actors who have a stake in the university and its performance and who can be deemed 'principals' of the university; these include 'the public', students, employers, parents, graduates, 'the government', and so on (Brignall and Modell, 2000; Hoecht, 2006, p. 549; Lawrence and Sharma, 2002, p. 671). With all groups prioritising different interests, the delivery of 'value' and the allocation of resources in the interests of one stakeholder group becomes much more problematic. Accountability that does not address these stakeholders' claims potentially ''prevents universities from carrying out their social responsibilities'' (Hoecht, 2006, p. 542), and undermines conceptions of themselves as charities.

In practice, the university is rife with such contradictions. Managing a public investment for university vice-chancellors and their finance departments entails optimising investment flows, taking advantage of the tax breaks on offer and expanding operations so as to benefit from charitable status and VAT exemptions whilst supporting joint ventures and overseas operations (McGettigan, 2012). The redefinition of the university's constitutional status from ''public trust'' into a ''public investment'' (Newfield, 2008, p. 160) relies precisely on retaining the properties that come with this status and pursuing a strategy of for-profit accumulation under the banner of charity. The case of the New College for Humanities merely makes these contradictions, which are at work in all universities, more apparent. At the same time, the recent student protests, from California, to Greece, to Chile, to the UK, and to Quebec demonstrate that the financialisation of the university has become a political issue worthy of contestation. Our analysis suggests that there are two avenues this response to financialisation may take. Both depart from the idea that a notion of charity can be recovered from the history of the university – even if a classic notion of the public university, remnants of which we still find e.g. in Newfield (2008), is no longer tenable.

A first response emphasises that the notion of charity remains at the heart of social collaboration without which the university could not function. Ross contends that universities cannot be run like for-profit corporations, since the collaboration that sustains them is ''inimical or irreducible, in the long run, to financialization after the model of the global corporation'' (2009, p. 30). More precisely, Hoecht laments that ''(. . .) the audit format adopted in the UK introduces a one-way accountability'' which ''instead of fostering trust, has high opportunity costs and may well be detrimental to innovative teaching and learning'' (2006, p. 541). For Kamola and Meyerhoff (1989), a struggle ensues wherein the ''commons'' – ''those things held collectively and used according to the non-capitalist value practices of a given group'' (1989, p. 6) – of the university must be protected against finance. Engaging in these struggles involves, amongst other things, recognising that pedagogy ''can provide a notion of educational responsibility, of accountability, that is markedly at odds with the logic of accounting'' prevalent in the university today (Readings, 1996, p. 151). It is worth asking what notions and practices of charity are produced in the non-financialised commons, and to what extent these could serve in redefining the university.

Whilst for some an embrace of the ''undercommons'' – commons hidden from governance – of the university entails a withdrawal from the university as an institution, where ''one can only sneak into the university and steal what one can'' (Moten and Harney, 2004, p. 101), our discussion suggests that such a strategy of building commons, often against and in spite of the university as an institution, should be complemented by a second response: to reclaim the university. The university relies on a certain 'publicness', both in its day-to-day operations and in the labour on which it is built, and on its status as a charity with a public purpose. This publicness is not put into question, neither by business nor society at large. Yet this irreducible publicness of the university has been undermined by financialisation, and an institutional understanding that came to resemble the private corporation in all but name. Indicative of this is the way in which the public accountability of universities is reduced to financial performance measures, and therefore neglects questions of what is produced in the university and whom it benefits (Readings, 1996, 119ff.). Our account of the corporate history of the university suggests ways to lay bare and contest the deep contradiction between current corporate-style financial accounting within the university and its formally public status.

The challenge the corporate history of the university poses is to consider how its charitable status might serve as leverage against financialisation. For much of its history its legal status has brought with it a certain kind of independence for the university. What would it take today to regain some kind of independence from financialisation? Our analysis suggests that whilst a focus on building commons within the university emphasises and strengthens the publicness of the university in its day-to-day operations, at the level of governance one strategy challenging financialisation could point to the ways in which it undermines charity. Developing this strategy may involve a plea for a wider conception of accountability, which challenges its reduction to financial accountability (Newfield, 2008; Readings, 1996). It may also involve recovering earlier notions of charity from the university's history, and a role of education that is not limited to producing human capital. In order to reclaim the university in the name of charity, however, such a contestation would also need to extend beyond the university into the neoliberal state.

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